

FISCAL NOTE

Bill #: SB435

Title: Revise licensing and registration provisions for older vehicles

Primary Sponsor: Keenan, B

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

	FY 2004	FY 2005
	<u>Difference</u>	<u>Difference</u>
Expenditures:		
General Fund – Transfer	\$1,444,737	\$243,705
Revenue:		
General Fund	\$8,964,615	\$3,435,698
State Special Revenue		
Noxious Weed	\$415,238	(\$32,704)
Junk Vehicles	\$276,825	(\$21,803)
Senior Citizen/Disabled	\$212,260	\$108,275
Veteran’s Cemetery	\$10,699	(\$21,567)
Collegiate Plates	\$14,322	(\$4,749)
GVW Account	(\$488,092)	(\$966,735)
Trust Fund - HP Retirement	\$498,366	\$335,725
Net Impact on General Fund Balance:	\$7,519,878	\$3,191,993

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|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact
<input type="checkbox"/> Included in the Executive Budget
<input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Technical Concerns
<input checked="" type="checkbox"/> Significant Long-Term Impacts
<input checked="" type="checkbox"/> Needs to be included in HB 2 |
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Fiscal Analysis

Bill Description

Under current law, motor vehicles age 11 years old or older may register annually or may elect to be “permanently registered”. Upon a change in ownership, the permanent registration for a motor vehicle is invalidated and the vehicle must be registered again either on an annual basis or on a permanent registration basis. SB435 would require all light vehicles age 11 years or older to be permanently registered, and changes the fees that are paid upon permanent registration from the current law fees. As under current law, whenever a transfer of ownership of a vehicle occurs the new owner would be once again required to permanently register the vehicle. The following table shows how the fee for permanent registration would change under SB435.

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	CURRENT MONTANA LAW		PROPOSED LAW -- SB 435	
	Staggered and Non-staggered Light Vehicle Annual Registration Fees (61-3-561)	<u>Optional</u> -- Permanent Registration Fees Vehicles 11 years old and older (61-3-562)	<u>Mandatory</u> -- Permanent Registration Fees Vehicles 11years old and older CY 2004 - (61-3-562)	<u>Mandatory</u> -- Permanent Registration Fees Vehicles 11years old and older CY 2005+ - (61-3-562)
Registration Rate (61-3-561)	4 yrs or less \$195.00 5 to 10 years \$65.00 11 yrs or older \$6.00	\$50.00	\$25.00	\$50.00
Registration Fee (61-3-321)	\$13.75 or \$18.75	\$13.75 or \$18.75	\$13.75 or \$18.75	\$13.75 or \$18.75
Amateur Radio Operator (61-3-422)	\$5 on 1st application	\$5 on 1st application	\$5 on 1st application	\$5 on 1st application
Collegiate Scholarship Donation (61-3-465)	\$20.00	\$20.00 X 5 = \$100.00	\$20.00	\$20.00
County Motor Vehicle Computer Fee (61-3-511)	\$0	\$1.00 X 5 = \$5.00	\$0.00	\$0.00
GVW Fee (61-10-201/light trucks)	\$7.00, \$12.50, or \$17.50	\$7.00, \$12.50 or \$17.50 X 5 = \$35.00, \$62.50, or \$87.50	\$7.00, \$12.50 or \$17.50 X 2 = \$14.00, \$25.00, or \$35.00	\$7.00, \$12.50 or \$17.50 X 2 = \$14.00, \$25.00, or \$35.00
Junk Vehicle Disposal Fees ((15-1-122(3)(a))	\$0	\$1.00 X 5 = \$5.00	\$2.00	\$2.00
MHP Retirement Account	\$0	\$2.00	\$2.00	\$2.00
Personalized Plate Renewal (61-3-406)	\$10.00	\$10.00 X 5 = \$50.00	\$10	\$10
Senior Citizen Fee (61-3-321)	\$0.25	\$0.25 X 5 = \$1.25	\$1.00	\$1.00
Veterans Cemetery (61-3-332)	\$10.00	\$10.00 X 5 = \$50.00	\$10	\$10
Weed Control Fees (15-1-122(3)(b))	\$0	\$1.50 X 5 = \$7.50	\$3.00	\$3.00
County Option (61-3-537)	Up to 0.7% of value determined in 61-3-503 / county retains monies	Up to 0.7% of value determined in 61-3-503 X 5 -- county retains monies	Up to 0.7% of value determined under 61-3-503 current year only / monies deposited in state general fund	Up to 0.7% of value determined under 61-3-503 current year only / monies deposited in state general fund

SB435 also amends language in section 15-1-122, which provides for calculations of the amount of funds transferred annually from the general fund to a variety of state special revenue accounts. This bill will change the amount of transfers going to the Junk Vehicle Program (Department of Environmental Quality), the Noxious Weed Program (Department of Agriculture), and the Senior Citizens and Persons with Disabilities Transportation Services Program (Department of Transportation).

Revenues accruing to the state general fund will be changed both directly and indirectly under SB435. Revenues to the general fund change directly with changes in the number of motor vehicles that will be

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permanently registered, and with the change in the fees that these vehicles pay. Net revenues to the state general fund will be changed indirectly as general fund transfers to state special revenue accounts change under the bill.

ASSUMPTIONS:

Department of Revenue

Direct General Fund Impacts

Note: The impacts shown in this fiscal note are derived using data extracted from the calendar year 2001 motor vehicle database provided by the Department of Justice. That database was used to provide a count of light motor vehicles age 11 year old or older; the number of these vehicles that are over and under 2,850#; the number that are currently permanently registered; the number of vehicles permanently registering within the year under current law; and the number of vehicles showing a change in ownership. This latter count was used to provide an estimate of the rate at which vehicles turn over in any given year.

1. The state general fund will be directly impacted by the changes in revenue from registration fees, flat fees, and the fee for permanent registration provided for in the bill. Under current law, vehicles annually registering pay a registration fee of either \$13.75 (under 2,850#) or \$18.75 (over 2,850#); and vehicles permanently registering also pay these fees, but do not pay them again until the vehicle is transferred. Under the bill, the current law \$6 flat fee in lieu of tax for vehicles age 11 years old or older is eliminated. Under current law, vehicles that permanently register pay a flat fee of \$50; under the bill this fee is reduced to \$25 in tax year 2004 and then increased to \$50 in calendar year 2005 and each year thereafter. Beginning in tax year 2004, vehicles age 11 years old or older are required to permanently register. These features of the bill result in the following impacts to the state general fund over the period calendar year 2004 through 2007:

SB435 - Direct Change in General Fund Revenue				
Calendar Year 2004 through 2007				
Fee Type	CY2004	CY2005	CY2006	CY2007
Registration Fee - Over 2850# (\$18.75)	0	(2,802,525)	(2,840,979)	(2,917,432)
Registration Fee - Under 2850# (\$13.75)	0	(3,070,412)	(3,186,082)	(3,348,645)
Flat Fee - \$6	(2,454,234)	(2,515,180)	(2,577,750)	(2,641,981)
Fee for Permanent Registration	10,198,149	2,321,300	2,319,550	2,059,800
Change in General Fund Revenue	7,743,915	(6,066,817)	(6,285,261)	(6,848,258)

In calendar year 2004, general fund revenues are reduced for the elimination of the \$6 flat fee, but increase significantly for the \$25 fee paid by all vehicles age 11 or older that must permanently register. In calendar years 2005 through 2007 general fund revenue is reduced for the \$13.75 and \$18.75 registration fees as all vehicles age 11 or older, except for those turning age 11 in each of these years, no longer has to pay these fees. General fund revenues increase in calendar years 2005 through 2007 for vehicles that turn 11 years old in these years and pay the \$50 permanent registration fee.

2. The impacts in assumption 1 do not reflect the fact that some portion of all vehicles age 11 years old or older will change ownership each year and will be required to pay the permanent registration flat fee and the vehicle registration fees anew. Based on a count of vehicle transfers in the 2001 motor vehicle database, it is assumed that 9.52% of all vehicles age 11 years old and older change ownership each year. This will act to *increase* general fund revenues \$844,960 in calendar 2004; \$2,010,107 in calendar 2005; \$2,058,462 in calendar 2006; and \$2,107,977 in calendar 2007.

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3. The net calendar year impact from assumptions 1 and 2 is that general fund revenues *increase* by \$8,588,875 in calendar 2004; and then *decrease* by (\$4,056,710) in calendar 2005; by (\$4,226,799) in calendar 2006; and (\$4,740,281) in calendar 2007.
4. An examination of the 2001 motor vehicle database indicates that 62.9% of all motor vehicles register between January 1 and June 30 or each year, and the remaining 37.1% register between July 1, and December 31. Using these percentages to allocate the calendar year impact to fiscal years results in an *increase* in general fund revenue of \$5,402,402 in FY04; \$634,802 in FY05; and a decrease in general fund revenue of (\$4,163,696) in FY06; and (\$4,549,780) in FY07.

State Special Revenue Accounts and Indirect General Fund Impacts

As noted earlier, this bill requires vehicles age 11 years old or older to permanently register, and changes both the fees paid by motor vehicles upon permanent registration and the amount to be transferred to certain state special revenue accounts under 15-1-122. These changes will impact revenue deposited in the state general fund from certain fees, the amount transferred from the general fund to state special revenue accounts, and the amount received by state special revenue accounts. This section of the fiscal note details those impacts.

5. Section 1 of the bill provides for transfers to certain state special revenue accounts based on a count of motor vehicles that are permanently registered. In reading the introduced version of the bill, it is not clear whether the transfers to the state special revenue accounts for motor vehicles permanently registering are to occur only in the year in which the vehicle is permanently registered, or if they are to occur in that year and in each succeeding year as well. The impacts in the section assume the former, that these transfers occur only in the year of permanent registration. If this is not the intent of the bill, then the bill should be amended to make it explicitly clear that the transfers for vehicles permanently registering are on an annual basis.
6. In addition to the junk vehicle account, the noxious weed account, and the senior citizens and disabled persons transportation account, the bill changes the fees paid upon permanent registration for personalized license plates, scholarship (college) plates, and plates issues to certain war veterans. Accounts receiving funds from these fees are impacted under this bill as well.
7. SB435 also provides that beginning in calendar year 2004 any local option tax on permanently registered vehicles will be deposited in the state general fund, rather than in county government funds.
8. Based on an analysis of the TY01 motor vehicle database, the following table shows the estimated impacts to state special revenue accounts (SSRA), and the indirect impacts to the state general fund. The table also shows the change in revenue going to county governments and the state general fund from shifting local option vehicle taxes from counties to the state.

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Net Impact of SB435 by Fiscal Year				
	FY2004	FY2005	FY2006	FY2007
General Fund - Revenue from Perm. Regis.				
Noxious Weed	841,887	666,909	272,823	266,326
Junk Vehicle	561,258	444,606	181,882	177,551
Senior Citizens	204,756	163,172	32,418	28,717
Highway Patrol	563,558	448,263	185,539	181,208
Total In Flows	2,171,458	1,722,951	672,661	653,802
General Fund Transfers				
	FY2004	FY2005	FY2006	FY2007
Noxious Weed SSRA	415,238	(32,704)	(450,253)	(474,322)
Junk Vehicle SSRA	276,825	(21,803)	(300,168)	(316,214)
Senior Citizens SSRA	212,260	108,275	(28,048)	(33,142)
Highway Patrol	498,366	335,725	65,941	58,681
Total Transfers	1,402,689	389,492	(712,528)	(764,997)
Net Impact on General Fund	768,770	1,333,458	1,385,189	1,418,799
Impact on Specialized Plates				
	FY2004	FY2005	FY2006	FY2007
Personalized Plates	35,432	(51,141)	(138,709)	(177,337)
College Plates	14,322	(4,749)	(30,736)	(46,850)
Veteran License Plates	10,699	(21,567)	(51,912)	(63,447)
Net Impact on GVW SSRA Collections				
	FY2004	FY2005	FY2006	FY2007
GVW 1/2 ton	(238,157)	(471,705)	(973,805)	(998,834)
GVW 3/4 ton	(176,655)	(349,891)	(722,328)	(740,893)
GVW 1 ton	(73,279)	(145,140)	(299,632)	(307,333)
GVW Total Impact	(488,092)	(966,735)	(1,995,766)	(2,047,060)
Local Option Vehicle Tax - County Impact				
	FY2004	FY2005	FY2006	FY2007
Revenue Collected by Counties Under Current Law	1,355,323	2,213,344	2,290,949	2,318,449
Revenue Collected by Counties Under Proposed Law	0	0	0	0
Decline in County Revenue	(1,355,323)	(2,213,344)	(2,290,949)	(2,318,449)
Local Option Vehicle Tax - State Impact				
	FY2004	FY2005	FY2006	FY2007
Revenue Collected by State Under Current Law	0	0	0	0
Revenue Collected by State Under Proposed Law	1,355,323	1,129,086	520,274	485,690
Increase in State Revenue	1,355,323	1,129,086	520,274	485,690

9. Changes to the amounts collected for the noxious weed, junk vehicle, senior citizens and highway patrol retirement fee when permanently registering a vehicle result in general fund revenue of \$2,171,458 in FY04; \$1,722,951 in FY05; \$672,661 in FY06 and \$653,802 in FY07. Under this bill general fund

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transfers to these accounts total \$1,402,689 in FY04; \$389,492 in FY05; (\$712,528) in FY06 and (\$764,997) in FY07. This results in a net indirect impact to the general fund of \$768,770 in FY04; \$1,333,458 in FY05; \$1,385,189 in FY06 and \$1,418,799 in FY07

10. Beginning in calendar year 2004, local option tax collected on permanently registered vehicles is sent to the state general fund, instead of being retained by the counties. This change in revenue flows will increase the amount of general fund revenue by \$1,355,323 in FY04; \$1,129,086 in FY05; \$520,273 in FY06; and \$485,690 in FY07.

Department of Justice

11. Administrative expenses will increase \$15,600 for programming analysis, design, testing, and implementation and \$26,448 for computer processing costs paid to the Department of Administration for a total of \$42,048 in FY 2004 to change the light vehicle fee tables for vehicles 11 years old and older, change the fees charged for permanently registered light vehicles, increase the number of fee codes to allow the motorcycle permanent registration tables to remain unchanged, add a county option tax fee code to account for the county option tax on permanent registrations that will be deposited to the state general fund, and add new fee codes for the increased fees on permanent registrations.
12. Operating costs would decrease approximately \$145,787 in FY 2005 for postage (\$0.22 each), mail renewal notice cards (\$0.05 each), and decals (\$0.0852 each x 2 for each registration) no longer necessary due to the mandatory permanent registration of light motor vehicles adjusted by 2.6% for motor vehicles 11 years old or older that would be re-registered due to a change in ownership.
 $(340,180 \text{ permanent registrations} \times \$0.44 = \$149,679 - \$3,892 (\$149,679 \times 2.6\% \text{ recycled}) = \$145,787)$

FISCAL IMPACT:**Expenditures**

	<u>FY 2004</u>	<u>FY 2005</u>
	<u>Difference</u>	<u>Difference</u>
Operating Expenses (DOJ)	\$42,048	(\$145,787)
Non Budgeted Transfers	1,402,689	389,492

Funding of Expenditures:

General Fund (01)	\$1,444,737	\$243,705
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Revenues:

General Fund (01)	\$8,964,615	\$3,435,698
State Special Revenue (02)		
Noxious Weed	\$415,238	(\$32,704)
Junk Vehicles	276,825	(21,803)
Senior Citizen/Disabled	212,260	108,275
GVW Account	(488,092)	(966,735)
Veteran's Cemetery	10,699	(21,567)
Collegiate Plates	14,322	(4,749)
Trust Fund (09) - HP Retirement	498,366	335,725

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund	\$7,519,878	\$3,191,993
State Special Revenue (02)		
Noxious Weed	\$415,238	(\$32,704)
Junk Vehicles	276,825	(21,803)
Senior Citizen/Disabled	212,260	108,275
GVW Account	(488,092)	(966,735)

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Veteran's Cemetery	10,699	(21,567)
Collegiate Plates	14,322	(4,749)
Trust Fund (09) - HP Retirement	498,366	335,725

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

SB435 provides that beginning in calendar year 2004 any local option tax on permanently registered vehicles will be deposited in the state general fund, rather than in county government funds. This provision of the bill is estimated to reduce revenues going to county governments by \$(1,335,323) in fiscal year 2004; \$(2,213,344) in fiscal year 2005; \$(2,290,949) in fiscal year 2006; and \$(2,318,449) in fiscal year 2007.

LONG-RANGE IMPACTS:

1. It estimated that the net general fund impact would be a loss of \$2.3 million in fiscal year 2006; and \$2.7 million in fiscal year 2007 under the provisions of this bill.
2. This bill would significantly decrease annual revenues paid for registration of light motor vehicles.
3. Passage of this bill will result in substantial decreases in revenues that would be due on renewals for:
 - a. personalized plate renewal fees (\$10.00 for each renewal and deposited to the state general fund),
 - b. special organizational fees (\$20.00 for each renewal) the collegiate donations that are used for scholarships and donations (as determined by the organizations) to approved organizations such as the Lewis and Clark Bicentennial and the Gallatin County Open Lands Board, and
 - c. the Veterans' Cemetery Account (\$10.00 for each renewal).

TECHNICAL NOTES:

Department of Revenue

1. It is not clear if the transfers to the state special revenue accounts are one-time transfers for those vehicles permanently registered or if there is to be a transfer each year for all vehicles that are annually registered or permanently registered. If the annual transfers from the general fund to the SSRA's are based on the one-time count of all vehicles permanently registered, then the amount of each transfer will increase significantly in fiscal year 2004 and then begin to decrease once all the eleven years old and older vehicles are permanently registered.
2. Under current law, 61-3-562(1)(b) requires a person permanently registering a vehicle to pay a \$2 fee for deposit in the state general fund. That section further requires the Department of Justice to pay from the general fund an amount equal to this \$2 fee to the pension trust fund for payment of supplemental benefits provided for in 19-6-709 (highway patrol retirement benefits). Currently, this transfer is not being made. Revenue for the highway patrol retirement account is being transferred under 15-1-122(3)(e), which requires a transfer equal to 25¢ for each motor vehicle registered, including those permanently registered. To clarify these sections of law, 61-3-562(1)(b) should be amended to strike the requirement that the Department of Justice make the \$2 transfer, and 15-1-122(3)(e) should be amended to provide for a transfer of 25¢ for each motor vehicle annually registered, and a transfer of \$1 for each motor vehicle permanently registered, as was done for the senior citizens and disabled persons transportation account in 15-1-122(3)(f) in the bill.

Department of Justice

3. Current and Current and proposed statutes for permanent registration of motor vehicles are unclear whether permanent registration fees are to be assessed again for permanently registered vehicles when certain ownership transfers occur involving the original registered parties, such as the addition or removal of a spouse or other family member's name on the title, an estate transfer of ownership, or as a result of a divorce decree.

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4. It is unclear and appears that this bill would require IRP vehicles that are 11 years old or older to pay registration fees under the same structures as other Montana owned vehicles that are 11 years old or older.
5. Subsection 5 of section 1 is unclear regarding transfers to the state special revenue accounts. Are the transfer one time only during the fiscal year the vehicle is permanently registered, based upon the counts for the most current year available, or based on calculations including a total count of all vehicles permanently registered.
6. Subsection 4 of section 4 of this bill states that the local option vehicle tax fees collected on the permanent registration of light motor vehicles 11 years old or older are to be deposited as provided in 61-3-509, MCA. 61-3-509 states that the registration fees and fees in lieu of tax must be remitted monthly to the Department of Revenue to be credited to the State general fund. This appears to conflict with the provisions of 61-3-537, MCA, that provides for the disposition of the local option vehicle taxes imposed by the counties with 50% to the county and the remaining 50% to the county and the incorporated cities and towns within the county, apportioned on the basis of population.
7. Donations to organizations sponsoring specialty license plates, as authorized in 61-3-473 through 61-3-481, MCA, would decrease significantly for those vehicles that would be permanently registered under the provisions of this bill. In the last year approximately 5,500 vehicles were registered under the generic specialty plate provisions. There does not appear to be a mechanism for the payment or collection of those donations once a vehicle is permanently registered. Nor does there appear to be a means to validate the eligibility for generic specialty plates once a vehicle is permanently registered under the provisions of this bill.

Department of Environmental Quality

8. Junk Vehicle compliance and enforcement activities would be severely impacted because a vehicle permanently registered would also be permanently “lawfully and validly licensed” as long as the owner kept the vehicle and therefore could not be determined to be a junk vehicle as defined at 75-10-501(4), MCA.
9. In bill Section 1 the amendments to 15-1-122, MCA, Subparagraph 1(3)(a)(ii), appear to provide that the junk vehicle program is to receive \$2 for each year that a permanently registered vehicle remains registered. DEQ believes that the intent of the bill is instead that the \$2 will be received only in the year in which the vehicle is first permanently registered, and the fiscal assumptions in this fiscal note are based on this one-time receipt.